PHILIPPINES: PORT FACILITY SECURITY
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Summary

The International Ship and Port Facility Security (ISPS) Code, which took effect in the Philippines and elsewhere in the world on July, 2004, has prompted a wave of activities and initiatives from both the government and the private sector to improve security in the country's international ports. Recent terrorist activities and the persistent trafficking of persons and illegal substances have made Philippine ports vulnerable targets. These and related developments underscore the growing need for advanced security equipment and technology. Presently, the country's ports have varying levels of sophistication with regard to security infrastructure, as reflected in their respective port facility security plans (PFSPs). Industry insiders note that access control provisions and the training of port facility security officers and personnel to successfully implement their PFSPs are the most pressing security concerns for most ports.

Market Overview

Philippine ports serve as vital conduits of trade and the movement of people, given the country's archipelagic configuration and its relative proximity to major transshipment hubs in the Asia Pacific rim. Recent terrorist related activities in the country as well as the trafficking of persons and illegal substances and related security risks have made port facilities vulnerable targets for terrorists and other lawless elements. The Philippine government continues to step up efforts to combat terrorism on all fronts, including finding ways to protect critical infrastructure such as the country's port system.

Port facility security encompasses security provisions for cargo, port equipment, port structures, facilities, personnel and documents, and it regulates the movement of persons, vehicles and watercraft within or near port premises.

In 2002, the Philippines became one of 143 signatory countries that signed the International Ship and Port Facility Security (ISPS) Code, the most widely accepted and internationally recognized standard[1]. This has prompted a wave of activities and initiatives from both the government and the private sector to improve security in the country's international ports and on its ships so as to comply with the Code, which took effect in July 1, 2004. To comply with the Code, the country's major international ports have already laid out their port facility security plans and have appointed local port facility security officers.

Private cargo terminal operators have taken the lead in implementing the stringent ISPS security measures in one of the country's major port facilities – the Port of Manila, which accounts for more than two thirds of international container trade handled by the country's port system. At the same time, the Philippine Ports Authority (PPA) and the Bureau of Customs (BOC) are in various stages of acquiring x-ray and/or container

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[1] *According to the International Maritime Organization (IMO) website, www.imo.org, the International Ship and Port Facility Security (ISPS) Code provides "a standardized, consistent framework for evaluating risk, enabling governments to offset changes in threat with changes in vulnerability for ships and port facilities". The ISPS Code takes on a "risk management approach", prescribing minimum functional security requirements for contracting governments, port authorities and shipping companies to ensure the security of ships and port facilities based on an assessment of such risks and consistent with amendments to the 1974 Convention for Safety of Life at Sea (SOLAS).*

scanning equipment, which will be installed at other key ports all over the country, to complement security-related initiatives already underway at these sites.

The foregoing developments underscore the growing need for enhanced safety and security provisions in most of the country's port facilities, particularly those that service international vessels and cargo, as they are the most critical link in the nation's logistics chain. Industry sources point out that the most immediate concern is improving access control in these ports, as well as the continuous training of port security officers and personnel on the new security guidelines prescribed by the ISPS Code.

Market Trends

To date, the Office of Transportation Security (OTS) of the Department of Transportation and Communications (DOTC), the government agency mandated to implement ISPS Code compliance, reports that there are 108 port facilities (out of a target 120 international ports) that have been issued Statements of Compliance of Port Facility (SCPF).

In addition, US Coast Guard representatives recently visited the Philippines to observe the operations of selected international ports and confirmed those ports' compliance with the ISPS Code.

According to OTS, ports that have been issued SCPFs are in various stages of implementing their respective port facility security plans. Over time and as prescribed by their own port facility security assessments, many of these ports would require additional security equipment to augment their existing security infrastructure and personnel.

In particular, OTS has identified 11 port facilities as security regulated ports. These are ports where security-related threats are perceived to be higher relative to other ports in the country. The ports identified by OTS include those located in Mindanao island (Zamboanga, Cotabato, General Santos, Davao, Iligan, Cagayan de Oro), Visayas island (Iloilo, Cebu) and Luzon island (Batangas, Manila). Most of these ports are under the jurisdiction of the PPA, except for Cebu, which is being managed by the Cebu Ports Authority.

While the country has yet to be included in the US-led Container Security Initiative (CSI)[2], BOC deems it important to comply with some if not all of the standards set by the program, given that the U.S. remains a leading trading partner. According to industry sources, this explains why BOC wants to deploy non-intrusive container screening equipment at selected ports. In a recent development, the National Economic and Development Authority (NEDA) reported that the Philippines signed a bilateral framework agreement with China in April 2005 to facilitate a concessional loan with countertrade provisions to procure Chinese-made non-intrusive container inspection systems to be used by the BOC.

Meanwhile, PPA has acquired its own x-ray systems for some of its major ports in line with internal security enhancement programs. In fact, PPA is contemplating obtaining

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[2] *According to U.S. Customs and Border Protection website (www.cbp.gov), the primary purpose of the Container Security Initiative (CSI) is "to protect the global trading system and the trade lanes between CSI ports and the U.S. Under the program, a team of officers is deployed to work with host nation counterparts to target all containers that pose a potential threat." Initially, CSI targeted the world's top 20 ports but has recently expanded to other ports that ship substantial amounts of cargo to the United States.*

walk-through metal detectors to be placed on port passenger terminals, in addition to narcotics and explosive detection systems to avert the entry of illegal substances into port terminals and onto vessels. A PPA official notes, however, that their more immediate concern is access control improvements, including reinforcements to access routes, entrances, approaches and anchorages, and maneuvering and berthing areas, together with the deployment of additional security personnel within the port premises. Funding remains a perennial concern, and given the government's current fiscal constraints, agencies such as the PPA are continuously seeking alternative financing sources.

Australia and the United States are among the most active partner-countries assisting the Philippines in its maritime security and counter-terrorism programs. The Australian Agency for International Development (AusAID), for example, has earmarked more than USD 1 million worth of funds for its Port Security Capacity Building Project, an 18-month undertaking launched in 2004. The project includes support for local efforts to comply with the ISPS Code, specifically conducting preparatory and advanced ISPS courses for port facility and ship security officers.

Recently, the United States, through the Department of Energy's National Nuclear Security Administration (DOE / NNSA) and the Philippine Department of Science and Technology (DOST) have agreed to work together in support of the USG's Megaports Initiative, which aims to enhance the capability of key international seaports in screening and detecting nuclear and other radioactive materials and to improve safety and security measures. In the Philippines, the Initiative calls for the installation of radiation and detection equipment at the Manila International Container Terminal (MICT) and the South Harbor terminal of the Port of Manila, as well as training relevant government officials on equipment operation and data evaluation.

There is growing awareness of and demand for new equipment and technology to enhance port facility security in the Philippines. Several prominent American and other foreign vendors have already established a presence in the local market and continue to reach out to port operators (whether government-run or private / own-use ports) and end-users (e.g., shipping and logistics companies).

These companies include U.S.-based Tyco (fire detection and integrated port security solutions); GE Ion Track (explosives and narcotics detection); Science Application International Corporation or SAIC (gamma ray screening systems); American Science & Engineering (AS&E), Astrophysics and L3 Communications (x-ray container and inspection systems); and the German firm Smiths-Heimann (x-ray cargo inspection systems). Industry insiders also note the presence of Chinese, Israeli and Taiwanese suppliers of various port facility security equipment and technology-driven products (e.g., walk-through metal detectors, biometrics, access control solutions, video and surveillance equipment, vehicle tracking systems, etc.). Downmarket, most port operators rely on local suppliers for less sophisticated security requirements (e.g., deployment of security personnel, perimeter security, ID systems, etc.).

End-User Profile: The Philippine Ports System

There are more than a thousand ports located in the Philippine archipelago. Of these, about 123 are considered major ports regulated by the PPA[3].

The table below shows recent statistics on PPA-regulated ports, indicating a strong upward trend in cargo volume and the number of vessels and passengers processed.

Philippine Port Statistics [*]

	2003	2004
Total Cargo Throughput [**]	**146.66**	**157.37**
Domestic	79.76	82.94
Foreign	66.90	74.43
Total Containerized Cargo [***]	**42.90**	**45.08**
Domestic	25.00	25.4
Foreign	17.90	19.80
Total TEU Traffic [****]	**3.61**	**3.78**
Domestic	1.68	1.76
Foreign	1.92	2.02
Total Ship Traffic [*****]	**301,730**	**321,350**
Domestic	291,914	311,331
Foreign	9,816	10,019
Passenger Traffic (in millions)	**51.72**	**53.03**

Notes:
[*] *Refers to the 123 Philippine ports under the supervision of the Philippine Ports Authority.*
[**] *Cargo throughput is defined as total volume of cargo discharged and loaded at the port. The figures above are expressed in million metric tons.*
[***] *containerized cargo refers to cargo packed in vans and containers to facilitate handling and transport. The figures above are also expressed in million metric tons. Containerized cargo forms part of total cargo throughput.*
[****] *TEU is short for Twenty-Foot Equivalent Unit, an international standard of measurement for containerized cargo, which is equivalent to a container's length of 20 feet. The figures are expressed above are in million TEUs.*
[*****] *Ship Traffic refers to the number of vessels that call or arrive at a particular port during any given period.*
Source: Philippine Ports Authority

In terms of cargo throughput, the country's busiest ports are the Port of Manila (which incorporates the North and South Harbors), and the ports located in Batangas, Limay and Cagayan de Oro, which collectively account for more than 80 million metric tons of cargo, or more than half of the country's total cargo throughput. Industry players note that more and more shippers now use containers to transport their commodities, as opposed to break bulk cargo. As it stands right now, containerized cargo account for about 30 percent of total cargo traffic (the rest are classified as bulk cargo, loose or break bulk that are transported in units or contained in sacks, cartons, crates, etc.). The share of foreign containerized cargo volume continues to grow as a percentage of total

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[3] *PPA organizes the 123 ports that it regulates into five Port District Offices (PDO) – Manila, Luzon, Visayas, Northern Mindanao and Southern Mindanao. The PDOs manage the different ports by geographical jurisdictio , thru Port Management Offices or PMOs which consists of 21 base ports (central and administrative port of a particular PMO) and 102 secondary or terminal ports (serves as extension of the base ports, further classified as either private or municipal ports). Ports run by private entities are typically own use (e.g., for moving raw materials, finished goods, personnel or cargo) and are mostly confined to domestic economic activity. Private ports are required to secure permits from the PPA to operate as such.*

containerized cargo, with the Manila International Container Terminal (MICT) alone accounting for more than 70 percent of all foreign containerized cargo handled.

MICT is currently operated by the International Container Terminal Services Inc. (ICTSI), a private Philippine company that was awarded a 25-year concession by PPA in 1988. In 2004, ICTSI handled 13.76 million metric tons of containerized cargo at the MICT, or an equivalent of 1.2 million TEUs. In addition to MICT, ICTSI also operates other Philippine ports including Subic, Batangas and General Santos City, as well as Tecon Suape in Brazil and the Baltic Container Terminal in Poland.   Recently, ICTSI was awarded rights to operate the Naha International Container Terminal in Okinawa, Japan starting in 2006.

Another notable private operator is Asian Terminals Inc. (ATI), which was given exclusive rights to operate Port of Manila's South Harbor. In 2004, ATI processed 6.6 million metric tons of containerized cargo, or an equivalent 827,754 TEUs. Overall, South Harbor processed a total of 14.56 million metric tons of cargo throughput during this period, including bulk, break bulk and containerized cargo. Besides cargo, the South Harbor also has passenger terminals that accommodate more than 1 million passengers a year. ATI also operates the Port of Batangas cargo and passenger terminals, as well as the Port of General Santos (jointly with another port firm) and the Mariveles Grains Terminal.

ICTSI and ATI continue to lead private sector initiatives to implement more stringent security measures at some of the country's busiest ports. ICTSI, for instance, has already installed its own Access Control System (ACS), a digital surveillance system that provides 24-hour monitoring of MICT's operations, particularly the movement of persons, cargo and vehicles within port premises. ACS enabled the use of proximity access cards by MICT employees, clients and visitors to the port facility. ICTSI officials report that their ACS is complemented by other security provisions including digital Closed Circuit TV (CCTV) systems, centrally controlled security installations, and container gate systems. Similarly, ATI has installed x-ray machines and particle detectors at its domestic terminal operations to safeguard passengers and cargo passing through its ports.   Recent security upgrade efforts employed by ATI include the installation of CCTV cameras and Digital Video Recorders (DVRs) within their port premises.

In as much as the country's ports have varying levels of security infrastructure, it is imperative for safety and security equipment suppliers to work closely with the port managers through their port facility security officers to identify, evaluate and mitigate security risks specific to their respective ports. As mentioned previously, funding plays a crucial role in implementing security enhancement programs, and the experience of companies like ICTSI and ATI point to the growing importance of private sector participation in such efforts.

Market Access

There are no significant barriers to selling safety and security equipment in the Philippines. The strong affinity for U.S.-made equipment and technology bodes well for U.S. suppliers. It is best to work with a local distributor or agent with an expansive network of contacts in both the public (e.g., regulatory and oversight agencies) and private sectors (i.e., end-users). Port projects, including those that would require security provisions, typically undergo a formal bidding process through which technical and financial considerations are usually evaluated. For the more sophisticated security technologies, after-sales service and training of port personnel is imperative.

To drum up awareness and appreciation for their products, suppliers typically organize technical seminars or call on potential end-users for on-site demonstrations. The U.S. Commercial Service can help reach out to these target end-users through customized services available to U.S. firms interested in tapping the Philippine market.

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